

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 OPIC-12 L-03 SPC-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

COME-00 AGR-20 XMB-07 CIAE-00 INR-10 NSAE-00 /148 R

DRAFTED BY ARA/CEN:MWCOTTER:RJM

APPROVED BY ARA/CEN:DLAZAR

OPIC:JGURR (IN DRAFT)

L/ARA:DGANTZ (IN DRAFT)

----- 015960

R 062309Z MAR 74

FM SECSTATE WASHDC

TO AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L STATE 045449

E.O. 11652: GDS#

TAGS: EIND, EAGR, HO, US

SUBJECT: DECREE 103 - OPIC RELATIONSHIP WITH IWP

REF: TEGUCIGALPA 0870

SUMMARY: INTERNATIONAL WOOD PROCESSING CO. (IWP) DOES NOT HAVE INVESTMENT INSURANCE. APPLICATION IS STILL PENDING. WHILE OPIC WILL PROBABLY SIGN, SOME RESTRICTION MAY BE ADDED TO THE CONTRACT. OVER LONG TERM, DEPARTMENT FEELS ORAL ASSURANCES ON PART OF COHDEFOR WITH REGARD TO FUTURE SITUATION OF COMPANIES IS INSUFFICIENT.END SUMMARY.

1. OPIC INFORMS THE DEPARTMENT THAT IWP DOES NOT HAVE INVESTMENT INSURANCE. IWP SIGNED AND RETURNED TO OPIC A PROPOSED CONTRACT IN EARLY DECEMBER 1973. PAYMENT WAS NOT ENCLOSED AND WHEN OPIC QUERIED ABOUT PAYMENT IWP REQUESTED REDUCED COVERAGES AND ASKED THAT THE REVISED CONTRACT BE RETURNED TO THEM FOR SECOND REVIEW. OPIC RETURNED THE CONTRACT IN MID-DECEMBER. CURTAS ASSURED OPIC BY PHONE THAT CONTRACT AND PAYMENT WOULD BE RETURNED PRIOR TO DECEMBER 31. ON JANUARY 18 CURTAS PHONED OPIC
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AND STATED THAT CONTRACT, WHICH HE SAID HAD BEEN LOST IN

THE MAILS WHILE IN TRANSMISSION FROM IWP LAWYERS, HAD JUST BEEN RETRIEVED AND WAS BEING IMMEDIATELY RETURNED TO OPIC SIGNED AND WITH FEE ENCLOSED. BY THE TIME IT RECEIVED CONTRACT ON JANUARY 21, OPIC, AWARE OF FIRST

INFORMATION ON DECREE 103, HAD DECIDED TO HOLD OFF SIGNING IWP CONTRACT UNTIL TREND OF EVENTS IN HONDURAS BECAME CLEARER.

2. OPIC IS FAVORABLY CONSIDERING THE APPLICATION, HOWEVER, AND WILL PROBABLY OFFER A REWORDED CONTRACT. EXACT WORDING NOT YET CERTAIN BUT WILL PROBABLY BE TO EFFECT THAT ACTIONS STEMMING FROM DECREE 103, OR FAILURE TO COMPLY THEREWITH, CANNOT BE THE BASIS FOR A CLAIM. OPIC HAS REQUESTED THAT IWP SUBMIT REPRESENTATIONS OF ANY WRITTEN AGREEMENT IT HAS WITH COHDEFOR RELATIVE TO ITS POSITION UNDER DECREE 103. ONLY REPLY TO DATE STATES THAT IWP HAS AN "A" CLASSIFICATION WITH COHDEFOR, VERBAL INDICATION THAT THE NATURE OF IWP OPERATIONS IS TYPE FAVORED BY GOH, AND PERMISSION TO EXPORT.

3. OPIC IS CONSIDERING SENDING AN OFFICIAL TO HONDURAS IN THE NEAR FUTURE. TRIP CURRENTLY IN PLANNING STAGE AND OPIC WILL ADVISE EMBASSY WHEN PLANS FIRM.

4. DEPARTMENT IS UNAWARE OF ANY DAVIS LETTER. REFERENCE MIGHT BE TO DAVIS CABLE TO DCM TRANSMITTED IN STATE 011087. COMMUNISM ISSUE WAS RAISED BY SOME US INVESTORS IMMEDIATELY AFTER PASSAGE OF DECREE 103 AND THEN USUALLY TO PASS ON RUMORS OR TO INQUIRE WHETHER DEPARTMENT WAS CONCERNED. IN RESPONSE, OPIC, AS WELL AS DEPARTMENT, HAS GIVEN NO CREDENCE TO THESE RUMORS.

5. COMMENT: DEPARTMENT FEELS DEVELOPMENT OF LUMBER SITUATION TO DATE IS PROMISING, AND BASED ON EMBASSY REPORTING AND CONVERSATIONS WITH LUMBER COMPANIES IN WASHINGTON, CONTINUES TO HOPE THE SITUATION WILL BE WORKED OUT TO THE SATISFACTION OF U.S. INVESTORS CONCERNED AS WELL AS GOH. THAT VIEWPOINT HAS BEEN EXPRESSED TO PRIVATE INDIVIDUALS WHO HAVE SOUGHT DEPARTMENT'S CONFIDENTIAL

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POSITION ON THE MATTER. THIS IS NOT TO SAY, HOWEVER, THAT ALL CONCERNS HAVE BEEN ALLEVIATED. AS STATE 041364 NOTED, WE ARE CONCERNED WITH CONTINUED DEPENDENCE ON ORAL ASSURANCES BY REYES TO COMPANIES, BOTH IN THAT CONTEXT AND AGAIN WITH REGARD TO IWP. FACED WITH SPECIFIC PROVISIONS OF DECREE 103, AND MINDFUL OF EASE WITH WHICH INDIVIDUALS AND POLICIES CAN BE CHANGED IN HONDURAS, ORAL ASSURANCES DO NOT MERIT FULL CONFIDENCE OVER THE

LONG RUN. GOH SHOULD UNDERSTAND ESSENTIALLY
UNSATISFACTORY NATURE OF ORAL GUARANTEES WHICH
APPARENTLY INCONSISTENT WITH LAW'S PROVISIONS, AND
WE HOPE THEY CAN FIND OTHER, LEGALLY ADEQUATE, MEANS OF
WORKING OUT ARRANGEMENTS WITH LUMBER COMPANIES. DEPART-
MENT WOULD APPRECIATE ANY FURTHER EMBASSY VIEWS

ON THIS MATTER.

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